
HLABISA MUNICIPALITY

ANNUAL BUDGET

2015/2016 TO 2017/2018

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

PURPOSE

To seek Council approval in terms of section 16 of the Municipal Finance Management Act No. 56 of 2003, for the 2015/16 Draft Budget.

PART 1

1.1 MAYOR'S REPORT

His worship the Mayor started his speech by emphasizing the importance of sticking to the Vision and Mission of Hlabisa Municipality as these are the keys in uplifting the lives of our local community.

Vision

"A prosperous and sustainable municipality ensuring the provision of basic services, skills, quality life and economic opportunities"

Mission Statement

- Exploring and exploiting natural resources and opportunities that we have,
- Through cooperative and collaborative working relations with all stakeholders, and
- Eradicating the vicious cycles of poverty, unemployment and other social ills.
- By enhancing our systems and processes to promote good governance,
- By upholding BATHO PELE Principles

Although our municipality is located in a rural place that is mostly harmed by high rate of unemployment, Illiteracy and other negative factors that hinder progress and service delivery to the local community. Hlabisa Local Municipality intend to do more with the available resources in order to enhance service delivery that aims at improving the quality of life for all people within it geographical area, Draft Budgeting is essential about choices that the municipality has to make between competing priorities and fiscal realities. As Hlabisa Municipality we need to remain focused on the effective and efficient delivery of core municipal services. The application of sound financial management principles is crucial to ensure that the municipality remains financial viable, and that sustainable municipal services are provided to the community at large.

In support to our objective of improving peoples life's through service delivery with the usage of available resources, the municipality has considered the following Turnaround strategies:

- Good corporate governance
- Transformation of infrastructure
- Financial viability and sustainability
- Management change and organisational review

A detailed delivery agreement has been developed to extend targets and responsibilities to National and Provincial departments, Hlabisa Local Municipality's financial plan must take into account some outcomes when developing its budget. It is of vital importance that the municipality must perform the following:

- Improve municipal financial and administrative capacity by implementing competency norms and standards.
- Ensure that capital budgets are appropriately prioritised and fully involved in community consultation process around IDP, Budget and other related service delivery issues.
- Review the municipal expenditures to eliminate fruitless and wasteful expenditures.
- Ensure effective maintenance and rehabilitation of infrastructure.
- Ensure effective spending of grants for funding extension.

1.2 Council Resolutions

On the 31st of March 2015 the Council of Hlabisa Local Municipality met in the Council Chamber of Hlabisa Local Municipality to consider the draft budget of the municipality for the financial year 2015/2016. The Council approved the following resolutions:

The Council of Hlabisa Local Municipality, acting in terms of section 16 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.2.1 The annual Draft budget of Hlabisa Local Municipality for the financial year 2015/2016 , the multi year and single year capital appropriations as set out in the following tables:
- 1.2.2 Budgeted Financial performance (revenue and capital expenditure by standard classification) as contained in table A2 of the 2015/2016 Draft budget.
- 1.2.3 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in table A3 of the 2015/2016 Draft budget.
- 1.2.4 Budgeted Financial Performance (revenue by source and expenditure by types) as contained in table A4 of the 2015/2016 Draft budget.
- 1.2.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 of the 2015/2016 Draft budget.
- 1.2.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
- 1.2.3 Budgeted Financial Position as contained in Table A6 of the 2015/2016 Draft budget.
- 1.2.4 Budgeted Cash Flows as contained in Table A7 of the 2015/2016 Draft budget.
- 1.2.5 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 of the 2015/2016 Draft budget
- 1.2.6 Asset management as contained in Table A9 and of the 2015/2016 Draft budget and
- 1.2.7 Basic service delivery measurement as contained in Table A10 of the 2015/2016 Draft budget.

The Council of Hlabisa Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts:

The tariffs for property rates and tariffs for other services – as set out in supporting table SA13.

1.3 EXECUTIVE SUMMARY

In terms of chapter 4, section 16 of the Municipal Finance Management Act (MFMA), no 56 Of 2003, the Draft operational and capital budget must be tabled by the Mayor at a council meeting 90 days before the start of the budget year.

The draft budget is set out under the following headings:

- Operational budgets
- Budget assumptions
- Capital budget
- Proposed tariff structures
- Measurable performance objectives for revenue

- Service agreements
- New budget regulations
- Budget related policies
- Public input
- Publication of budgets
- Draft resolutions

National Treasury's MFMA Circular No. 70 and 72 were used to guide the compilation of the 2015/16 MTREF.

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

Overview of Budget Related Policies

This section gives a broad overview of the budget policy framework and highlights the policies that were approved by Council by 3 July 2014

| NAME OF POLICY | DATE OF FINAL APPROVAL |
|---|-------------------------------|
| Property Rates Policy | 03 July 2014 |
| Tariff Policy | 03 July 2014 |
| Cash and Investment Policy | 03 July 2014 |
| Credit Control & Debt Collection Policy | 03 July 2014 |
| Budget Policy | 03 July 2014 |
| Budget virement Policy | 03 July 2014 |
| Supply Chain Management Policy | 03 July 2014 |
| Asset Management Policy | 03 July 2014 |
| Indigent Support Policy | 03 July 2014 |

Tariffs for 2015/2016 are as follows after they have been adopted by council on the 3rd of July 2014

Property Rates

- | | | |
|----|------------------------|-----------|
| 1. | Residential properties | 0.0130221 |
| 2. | Business Properties | 0.0161385 |
| 3. | Specialized Properties | 0.0317205 |

Refuse Removal

- | | | |
|----|------------------------|----------------|
| 1. | Residential Properties | R 135 pm Fixed |
| 2. | Businesses | R 180 pm Fixed |
| 3. | Government Properties | R 180 pm Fixed |

Table1 Consolidated Overview of the 2015/16 Draft Budget

| R thousand | Adjustment Budget 2014/15 | Budget Year 2015/16 | Budget Year 2016/17 | Budget Year 2017/18 |
|--------------------------------|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Total Operating Revenue | 55, 816 103 | 70,497 110 | 74, 442,1234 | 78,204,301 |
| Total Operating Expenditure | 54,839,111 | 65,555,000 | 72,935,000 | 75,141,101 |
| (Surplus)/Deficit for the year | 15, 404,201 | 19,287, 301 | 16 255 101 | 18, 415 101 |
| Total Capital Expenditure | 15,225,452 | 16,548,000 | 18,398,000 | 17,358,000 |

Total operating revenue has Increased R14,6m for the 2014/15 financial year compared to the 2014/15 Adjustment Budget. For the two outer years , operational revenue will increase by 19 and 10 per cent. Total operating Expenditure for the 2015/16 financial year has been appropriated at R65,5m and translates into a budgeted surplus of R19,281m when compared to the 2014/15 Adjustment Budget operating expenditure has grown by 9 per cent in the 2014/15 budget and decrease by 23 and 9 percent for the outer years of the MTREF. The operating operating surplus for the two outer years steadily decreases to R16, 2m and then stabilise at R18,4m compare to current 2015/2016 surplus. The Capital budget of R16,5m for 2015/16 has increased by R1,3m when compared to the 2014/15 Adjustment Budget. The Increase is because of Increase of National Allocation of MIG and internal Generated fund has also increase as the municipality intend to buy new municipal vehicles.

1.4 OPERATING REVENUE FRAMEWORK

The operating budget summary provides information on both income activities in line with the approved budget and the proposed adjustment budget for the year under- review and the following will be discussed:

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy
- Efficiency revenue management, which ensures annual collection rate for property rates and other key service charges
- The municipality's Indigent Policy and Rendering of free basic Services

Table 2 Summary of revenue classified by main revenue source

KZN274 Hlabisa - Table A4 Budgeted Financial Performance (revenue and expenditure)

| Revenue By Source | | | | | | | | | | | |
|---|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Property rates | 2 | 259 | 358 | 319 | 1 086 | 475 | 475 | 475 | 665 | 990 | 1 130 |
| Property rates - penalties & collection charges | | 129 | 41 | - | - | - | - | - | - | - | - |
| Service charges - electricity revenue | 2 | - | - | - | - | - | - | - | - | - | - |
| Service charges - water revenue | 2 | - | - | - | - | - | - | - | - | - | - |
| Service charges - sanitation revenue | 2 | - | - | - | - | - | - | - | - | - | - |
| Service charges - refuse revenue | 2 | 232 | 141 | 85 | 43 | 60 | 60 | 60 | 80 | 90 | 48 |
| Service charges - other | | - | - | - | - | - | - | - | - | - | - |
| Rental of facilities and equipment | | 207 | 311 | 157 | 339 | 237 | 237 | 237 | 282 | 294 | 207 |
| Interest earned - external investments | | 852 | 577 | 703 | 360 | 360 | 360 | 360 | 372 | 361 | 384 |
| Interest earned - outstanding debtors | | - | - | - | 32 | 32 | 32 | 32 | 33 | 34 | 36 |
| Dividends received | | - | - | - | - | - | - | - | - | - | - |
| Fines | | 1 623 | 545 | 68 | 200 | 42 | 42 | 42 | 300 | 350 | 300 |
| Licences and permits | | 282 | 176 | 142 | 2 051 | 1 508 | 1 508 | 1 508 | 2 405 | 2 951 | 3 589 |
| Agency services | | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - operational | | 59 055 | 44 080 | 46 777 | 49 802 | 49 928 | 49 928 | 49 928 | 65 952 | 69 169 | 72 180 |
| Other revenue | 2 | 1 010 | 333 | 984 | 53 | 1 025 | 1 025 | 1 025 | 158 | 205 | 180 |
| Gains on disposal of PPE | | - | - | - | 2 150 | 2 150 | 2 150 | 2 150 | 250 | - | 150 |
| Total Revenue (excluding capital transfers and contributions) | | 63 648 | 46 562 | 49 236 | 56 116 | 55 816 | 55 816 | 55 816 | 70 497 | 74 442 | 78 204 |

1.3.1 Property rates

This refers to property rates income that the municipality collects as budgeted. The annual budget for property rates amounted to R665 390. The 28 percent increase in the 2015/2016 when compared to the adjustment budget amount of R475 108 is because of the tariff increase in property rates charges. What also increased the anticipated revenue on property rates are the changes of market values of properties as per the new valuation roll that was implemented in 2014/2015 financial year. The review of the Property Rates Policy also contributed to the increase in the property rates revenue for 2015/2016 financial year as well as the two outer years because the policy only allows for the R15 000 rebate on residential properties which is according to the MPRA provisions than compared to the 2013/2014 Property Rates Policy which was allowing R55 000 rebate.

1.3.3 Service Charges

This refers only to refuse removal income that the municipality collects as budgeted. The annual budget for service charges amounted to R80 000.00 for 2014/2016 when compared to R42 840 for 2014/2015 financial year. This increase is due to additional collection points identified for 2015/2016 financial year as well as the increase in refuse collection tariff

1.3.4 Rental of Facilities and Equipment

This refers to the rentals and hiring of municipal facilities, the municipality budgeted R282 236. The reason for this increase compare to 2014/2015 adjustment budget is due to the increase in tariffs that have been approved by councillor 2015/2016 financial year it increased by R45 236.

1.3.5 Interest Earned

This refers to the combination of monies invested by the municipality as well as its entity in various financial institutions both on call and fixed investments deposit accounts as well as interest on outstanding debtors.

1.3.5.1 External Investments

The budget for investment revenue is R372 000. The municipality will invest all monies not yet used and only withdraw those funds when they are to be used. This budget also includes grant funding received in the prior years that is invested since 2005 from Department of Human Settlements.

1.3.5.2 Outstanding Debtors

The anticipated interest for late payment of debtors account is R33 075 for 2015/2016 financial year. It will increase by 5 per cent in the two outer years.

1.3.6 Licences and Permits

The budget for Licences and Permits is R2,404m in 2015/2016 financial year, this amount has increased from R1,5 211m of the 2014/2015 adjustment budget. The increase is based on the upgrade of the Hlabisa Testing station from Grade F to Grade B. The increase was due to the reason that we got lot of people who are tasted on licenses and our tasting dates are fast compared to other Institutions, so we are able collect more revenue on monthly basis.

1.3.7 Traffic Fines

The budget for traffic fines is R300 000.00 for 2015/2016, the reason this increase when compared to the 2014/2015 adjustment budget of R42 000 is based on the target of Traffic Officers who will be implementing law enforcement within the jurisdiction of Hlabisa Municipality. The increase of staff in the Traffic section has contributed to the increase of revenue to be generated within this section and the addition of working resources will contribute in generating this revenue resources like alcohol taster, as in 2014/2015 financial we had a problem of working resources like speed camera which was expired and we had no alcohol taster so as a results were had no choice during adjustment budget but we were supposed to decrease the budget, as all those issues has been taken into consideration by the start of 2015/16 financial year all working resource's and traffic staff will be in line.

1.3.8 Transfers Recognised- operational

This refers to operating grants gazetted during the year under-review by both National and Provincial Treasuries. The approved budget for these is R 65 592m which includes National Electrification Programme, FMG, MSIG, Library Subsidy and EPWP Incentives Grant and Equitable Share allocation.

1.3.8.1 Transfers Recognised- Capital

This refers to Capital grants gazetted during the year under-review by National Treasury amounted to R14 548 000 for MIG projects

1.3.9 Other Own Revenue

Included on other own revenue are Bill Boards income, Sundry income, telephone costs recovered and sale of bid document etc. For this revenue source, an amount of R158 000 was approved.

-Gains on disposal of PPE

The amount of sale of sites R250 000 was allocated on gain on disposal of PPE, the municipality anticipate to sell these assets. The process of disposal of this asset is through open tender process where we accept the highest bidder offer.

Percentage growth in revenue by main revenue source

| Revenue By Source | | | | | | | | | | |
|------------------------------|----------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|--|--|
| | Current year 2014/15 | % | Budget Year 2015/16 | % | Budget Year 2016/17 | % | Budget Year 2017/18 | % | | |
| | Adjusted Budget | | | | | | | | | |
| Property Rates | 474652 | 0.70% | 665390 | 0.90% | 990000 | 0.90% | 1033000 | 1% | | |
| Service Charges | 42840 | 0.30% | 80000 | 0.30% | 90000 | 0.40% | 47592 | 0.20% | | |
| Rental of Facilities | 237000 | 0.40% | 282236 | 0.50% | 293500 | 0.40% | 206824 | 0.40% | | |
| Interest External Investment | 360000 | 0.60% | 372000 | 0.60% | 360600 | 0.50% | 384000 | 0.60% | | |
| Interest Outstanding Debtors | 31500 | 0.20% | 33075 | 0.20% | 33700 | 0.20% | 36000 | 0.20% | | |
| Fines | 42000 | 0.50% | 300000 | 0.50% | 350000 | 0% | 300000 | 0.50% | | |
| Licenses and Permits | 1508141 | 3% | 2404737 | 3% | 2950500 | 4% | 3589275 | 4% | | |
| Transfers Operational | 49928000 | 89% | 65952000 | 93% | 69169000 | 92% | 72180000 | 92% | | |
| Other Revenue | 1025092 | 1% | 158101 | 0.40% | 205111 | 0.40% | 180210 | 0.30% | | |
| Gains on Disposal PPE | 2150000 | 4% | 250000 | 0.40% | | 0.00% | 150000 | 0.30% | | |
| Total Revenue | 55816000 | 100% | 70497138 | 100% | 74442000 | 100% | 78203454 | 100% | | |

The above table shows percentages per category that constitute to the total Revenue for 2015/2016 financial year. The tables shows us that we are more depending on Grants as the grants making 93 per cent of Total Revenue.

Table 3 Operating Transfers and Grants Receipts

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | |
| RECEIPTS: | 1, 2 | | | | | | | | | |
| Operating Transfers and Grants | | | | | | | | | | |
| National Government: | | 49 856 | 36 606 | 40 771 | 48 852 | 48 852 | 48 852 | 64 955 | 68 119 | 71 077 |
| Local Government Equitable Share | | 37 856 | 22 306 | 27 617 | 37 118 | 37 118 | 37 118 | 49 368 | 50 337 | 49 344 |
| Finance Management | | 1 200 | 1 500 | 1 650 | 1 800 | 1 800 | 1 800 | 1 800 | 1 825 | 1 900 |
| Municipal Systems Improvement | | 800 | 800 | 890 | 934 | 934 | 934 | 930 | 957 | 1 033 |
| Integrated National Electrification Programme | | 10 000 | 12 000 | 9 000 | 8 000 | 8 000 | 8 000 | 10 000 | 15 000 | 18 800 |
| EPWP | | - | - | 1 000 | 1 000 | 1 000 | 1 000 | 1 000 | - | - |
| Municipal Infrastructure Grant (PMU FEES) | | - | - | 614 | - | - | - | - | - | - |
| Municipal Demarcation Transition Grant | | - | - | - | - | - | - | 1 857 | - | - |
| | | - | - | | | - | - | - | - | - |
| Provincial Government: | | 1 300 | 1 513 | 2 255 | 950 | 1 076 | 1 076 | 997 | 1 050 | 1 103 |
| Sport and Recreation | | 500 | 675 | 1 350 | 150 | 150 | 150 | - | - | - |
| | | | | - | - | - | - | - | - | - |
| Provincialisation of Libraries | | 800 | 838 | 766 | 800 | 800 | 800 | 827 | 871 | 915 |
| Community Library Services | | | | 139 | - | 126 | 126 | 170 | 179 | 188 |
| EPWP | | - | - | - | - | - | - | - | - | - |
| District Municipality: | | - | - | - | - | - | - | - | - | - |
| [insert description] | | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - |
| Other grant providers: | | - | - | - | - | - | - | - | - | - |
| [insert description] | | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - |
| Total Operating Transfers and Grants | 5 | 51 156 | 38 119 | 43 026 | 49 802 | 49 928 | 49 928 | 65 952 | 69 169 | 72 180 |
| Capital Transfers and Grants | | | | | | | | | | |
| National Government: | | 14 439 | 11 915 | 8 129 | 13 902 | 14 427 | 14 427 | 14 345 | 14 748 | 15 352 |
| Municipal Infrastructure Grant (MIG) | | 14 439 | 11 915 | 8 129 | 13 902 | 14 427 | 14 427 | 14 345 | 14 748 | 15 352 |
| | | - | | - | - | - | - | - | - | - |
| | | - | | - | - | - | - | - | - | - |
| | | - | | - | - | - | - | - | - | - |
| | | - | | - | - | - | - | - | - | - |
| | | - | | - | - | - | - | - | - | - |
| Provincial Government: | | - | - | - | - | - | - | - | - | - |
| Other capital transfers/grants [insert description] | | - | - | - | - | - | - | - | - | - |
| | | - | | | | | | | | |
| District Municipality: | | - | - | - | - | - | - | - | - | - |
| [insert description] | | - | - | - | - | - | - | - | - | - |
| | | - | | | | | | | | |
| Other grant providers: | | - | - | - | - | - | - | - | - | - |
| [insert description] | | - | - | - | - | - | - | - | - | - |
| | | - | | | | | | | | |
| Total Capital Transfers and Grants | 5 | 14 439 | 11 915 | 8 129 | 13 902 | 14 427 | 14 427 | 14 345 | 14 748 | 15 352 |
| TOTAL RECEIPTS OF TRANSFERS & GRANTS | | 65 595 | 50 034 | 51 155 | 63 704 | 64 355 | 64 355 | 80 297 | 83 917 | 87 532 |

The above table shows the receipts of Grants funded by both National Government and Provincial Government as per DORA and Provincial Gazette.

1.5 OPERATING EXPENDITURE FRAMEWORK

Table 4 Summary of operating expenditure by standard classification item

| Description R thousand | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Expenditure By Type | | | | | | | | | | | |
| Employee related costs | 2 | 13 674 | 16 513 | 17 660 | 25 343 | 24 628 | 24 628 | 24 628 | 27 949 | 28 304 | 29 606 |
| Remuneration of councillors | | 3 642 | 3 756 | 3 798 | 5 307 | 5 307 | 5 307 | 5 307 | 5 307 | 5 625 | 5 957 |
| Debt impairment | 3 | 15 | 1 299 | (27) | 310 | 310 | 310 | 310 | 326 | 290 | 342 |
| Depreciation & asset impairment | 2 | 2 632 | 4 473 | 4 436 | 3 150 | 4 715 | 4 715 | 4 715 | 4 715 | 5 100 | 4 951 |
| Finance charges | | 324 | 275 | 181 | 51 | 51 | 51 | 51 | 250 | 430 | 275 |
| Bulk purchases | 2 | – | – | – | – | – | – | – | – | – | – |
| Other materials | 8 | 541 | 775 | 343 | 1 150 | 1 698 | 1 698 | 1 698 | 1 440 | 3 250 | 1 500 |
| Contracted services | | 6 | – | 298 | 1 402 | 1 414 | 1 414 | 1 414 | 1 559 | 1 650 | 1 637 |
| Transfers and grants | | 6 964 | 9 610 | 13 878 | 8 500 | 8 500 | 8 500 | 8 500 | 10 600 | 15 700 | 19 600 |
| Other expenditure | 4, 5 | 42 460 | 16 107 | 14 740 | 10 304 | 8 217 | 8 217 | 8 217 | 13 410 | 12 586 | 11 273 |
| Loss on disposal of PPE | | – | – | – | – | – | – | – | – | – | – |
| Total Expenditure | | 70 259 | 52 806 | 55 306 | 55 516 | 54 839 | 54 839 | 54 839 | 65 555 | 72 935 | 75 141 |

1.3.10 Employee Related Costs

This refers to the salaries and benefits paid to employees. An amount of R27, 948m is budgeted in the 2015/2016 financial year when compared to the amount of R24 378m of 2014/2015 Adjustment budget. Which equals 42 per cent of the total Expenditure due to the reason that the municipality has opened many positions of which we deemed to be critical and important. An increase of salaries of 6.80 percent also contributed to the 37per cent increase in employee related costs

1.3.11 Remuneration of Councillors

An amount of R 5 307m for councillors allowances and benefits is budgeted for in the 2015/2016 financial year when compared with the 2014/2015 financial year budget of R5 307m The budget for Remuneration of Councillors never increase . This budget is in line with the councillor's upper limits gazetted by minister for category 1 municipality, The reason for not any change was because during 2014/2015 financial year we budgeted high as we were expecting instruction from SALGA for councillors increment but till we adjust our budget we never got any instruction so as a results the Amount of R5,3m is reasonable as our budget was high from the start.

1.3.12 Dept Impairment

This refers to the provision of debt impairment for 2015/2016 which is estimated to be R325 500

1.3.13 Depreciation and Asset Impairment

This refers to the provision of depreciation, amortisation and asset impairment as required by applicable standards that it must be provided for in line with asset management policy. An amount of R4, 7m was approved. Our budget we seem as reasonable as we calculated it from 2013/14 AFS in addition to 2014/15 additions but we hoping to have an accurate and

appropriate figure during 2015/2016 adjustment budget because by that time we will be having 2014/2015 Audited AFS but also bear in mind that during 2013/14 financial year we got bad results of which it was a disclaimer and Assets were the main reason for such results we hoping to have accurate figures inn this current financial year as we will be assisted by consultants on Assets management.

1.3.14 Finance Charges

This refers to charges of machines under finance lease and our Bank Charges, the approved amount is R250 000 is for interest charged and Bank Charges.

1.3.15 Other Expenditure

This refers to the other expenditures incurred by the municipality. An amount of R13, 4m is budgeted for in the 2015/2016 financial year when compared to 2014/2014 Adjustment budget of R8,217m. This budget is for general expenses like advertising, printing and stationery, S & T expenses, consultancy fees, audit fees and EPWP programme. General Expenses with Total amount of R630 00. Which as totals of SOD Turning, Public Participation, IDP Forums and Roadshows and Cleaning material.

1.3.16 Transfers and Grants

This refers to the certain transfers non-cash, which the municipality will receive from National and Provincial Departments as well as indigent support to communities that qualifies to get indigent support. The approved budget is R 10, 6m and is made up by the following:

- An amount of R10m is funded by Department of Energy (National)
- An amount of R600 000 will be funded internal for Indigent support on free basic electricity

1.3.17 Contracted Services

This refers to all contracted services to other parties that provide services on behalf of the municipality. The approved amount was R 1 559m and which is as a result mainly the increase in security expenditure and management contracts in line with existing contracts.

Table 5 Operational repairs and other Materials

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--|----------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Repairs and Maintenance | 8 | | | | | | | | | | |
| Employee related costs | | | | | | | | | 197 | 207 | 217 |
| Other materials | | 15 | 775 | 343 | 1 150 | 1 698 | 1 698 | - | 1 440 | 3 170 | 1 470 |
| Contracted Services | | - | - | - | - | - | - | - | - | - | - |
| Other Expenditure | | - | - | - | - | - | - | - | - | - | - |
| Total Repairs and Maintenance Expenditure | 9 | 15 | 775 | 343 | 1 150 | 1 698 | 1 698 | - | 1 637 | 3 377 | 1 687 |

This refers to the budget of repairs and maintenance and other materials. The approved budget for other materials of R40 000 and repairs and maintenance R1 400 000. The municipality has added these two items to one item due to the reason that repairs and maintenance are the repairs that are done internally and the equals to 21 percent of total Expenditure. An amount of R196 000.00 for employees related cost for handy man as he was appointed to do internal repairs only, has been populated on table SA1

1.4 CAPITAL BUDGET

The approved budget for capital budget was R 14, 345m The total of capital budget including internal generated fund is R16, 548m.

1.4.1 Capital Transfers

| Vote Description R thousand | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Capital Expenditure - Standard | | | | | | | | | | | |
| <i>Governance and administration</i> | | 4 065 | 116 | 506 | 250 | 170 | 170 | 170 | 1 600 | 3 150 | 1 300 |
| Executive and council | | 3 547 | 108 | 356 | - | - | - | - | 1 300 | 2 900 | 1 150 |
| Budget and treasury office | | 518 | 8 | 150 | 250 | 170 | 170 | 170 | 300 | 250 | 150 |
| Corporate services | | - | - | - | - | - | - | - | - | - | - |
| <i>Community and public safety</i> | | 10 492 | 9 454 | 6 603 | 11 052 | 11 477 | 11 477 | 11 477 | 11 361 | 11 591 | 4 544 |
| Community and social services | | 6 392 | 9 454 | 850 | 8 867 | 8 867 | 8 867 | 8 867 | 8 968 | 11 061 | 3 838 |
| Sport and recreation | | 4 100 | - | 5 553 | 2 085 | 2 610 | 2 610 | 2 610 | 1 794 | - | - |
| Public safety | | - | - | 200 | 100 | - | - | - | 600 | 530 | 706 |
| Housing | | - | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | | - | 1 160 | 3 144 | 3 238 | 3 078 | 3 078 | 3 078 | 3 587 | 3 657 | 11 514 |
| Planning and development | | - | 1 160 | 3 144 | 3 238 | 128 | 128 | 128 | - | 2 000 | 11 514 |
| Road transport | | - | - | - | - | 2 950 | 2 950 | 2 950 | 3 587 | 1 657 | - |
| Environmental protection | | - | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | | - | - | - | - | - | - | - | - | - | - |
| Electricity | | - | - | - | - | - | - | - | - | - | - |
| Water | | - | - | - | - | - | - | - | - | - | - |
| Waste water management | | - | - | - | - | - | - | - | - | - | - |
| Waste management | | - | - | - | - | - | - | - | - | - | - |
| <i>Other</i> | | - | - | - | - | 500 | 500 | 500 | - | - | - |
| Total Capital Expenditure - Standard | 3 | 14 557 | 10 729 | 10 253 | 14 540 | 15 225 | 15 225 | 15 225 | 16 548 | 18 398 | 17 358 |

1.4.1.1 National and Provincial

For 2015/16 an amount of R16, 5m has been appropriated for the development of infrastructure assets. This refers to transfers from National Treasury for capital projects. The budget is R16, 5m including internal generated funds for 2015/16 financial year it has been Increased compared to the Adjustment budget for 2014/15, its has been increased by R1,3m. The outer years has been increased to R18,3m and 17, 3m, This budget is for new projects, there is one budget for renewal of existing assets

1.4.1.2 Internal Funding

The internal funded capital budget has been approved is an amount of R2, 2m. This budget is for the acquiring assets like furniture, computer equipment and Municipal new vehicles.

PART 2

2.1 Budget Financial Performance (revenue and expenditure)

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | 1 | | | | | | | | | | |
| Revenue By Source | | | | | | | | | | | |
| Property rates | 2 | 259 | 358 | 319 | 1 086 | 475 | 475 | 475 | 665 | 990 | 1 130 |
| Property rates - penalties & collection charges | | 129 | 41 | – | – | – | – | – | – | – | – |
| Service charges - electricity revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - water revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - sanitation revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - refuse revenue | 2 | 232 | 141 | 85 | 43 | 60 | 60 | 60 | 80 | 90 | 48 |
| Service charges - other | | – | – | – | – | – | – | – | – | – | – |
| Rental of facilities and equipment | | 207 | 311 | 157 | 339 | 237 | 237 | 237 | 282 | 294 | 207 |
| Interest earned - external investments | | 852 | 577 | 703 | 360 | 360 | 360 | 360 | 372 | 361 | 384 |
| Interest earned - outstanding debtors | | – | – | – | 32 | 32 | 32 | 32 | 33 | 34 | 36 |
| Dividends received | | – | – | – | – | – | – | – | – | – | – |
| Fines | | 1 623 | 545 | 68 | 200 | 42 | 42 | 42 | 300 | 350 | 300 |
| Licences and permits | | 282 | 176 | 142 | 2 051 | 1 508 | 1 508 | 1 508 | 2 405 | 2 951 | 3 589 |
| Agency services | | – | – | – | – | – | – | – | – | – | – |
| Transfers recognised - operational | | 59 055 | 44 080 | 46 777 | 49 802 | 49 928 | 49 928 | 49 928 | 65 952 | 69 169 | 72 180 |
| Other revenue | 2 | 1 010 | 333 | 984 | 53 | 1 025 | 1 025 | 1 025 | 158 | 205 | 180 |
| Gains on disposal of PPE | | – | – | – | 2 150 | 2 150 | 2 150 | 2 150 | 250 | – | 150 |
| Total Revenue (excluding capital transfers and contributions) | | 63 648 | 46 562 | 49 236 | 56 116 | 55 816 | 55 816 | 55 816 | 70 497 | 74 442 | 78 204 |
| Expenditure By Type | | | | | | | | | | | |
| Employee related costs | 2 | 13 674 | 16 513 | 17 660 | 25 343 | 24 628 | 24 628 | 24 628 | 27 949 | 28 304 | 29 606 |
| Remuneration of councillors | | 3 642 | 3 756 | 3 798 | 5 307 | 5 307 | 5 307 | 5 307 | 5 307 | 5 625 | 5 957 |
| Debt impairment | 3 | 15 | 1 299 | (27) | 310 | 310 | 310 | 310 | 326 | 290 | 342 |
| Depreciation & asset impairment | 2 | 2 632 | 4 473 | 4 436 | 3 150 | 4 715 | 4 715 | 4 715 | 4 715 | 5 100 | 4 951 |
| Finance charges | | 324 | 275 | 181 | 51 | 51 | 51 | 51 | 250 | 430 | 275 |
| Bulk purchases | 2 | – | – | – | – | – | – | – | – | – | – |
| Other materials | 8 | 541 | 775 | 343 | 1 150 | 1 698 | 1 698 | 1 698 | 1 440 | 3 250 | 1 500 |
| Contracted services | | 6 | – | 298 | 1 402 | 1 414 | 1 414 | 1 414 | 1 559 | 1 650 | 1 637 |
| Transfers and grants | | 6 964 | 9 610 | 13 878 | 8 500 | 8 500 | 8 500 | 8 500 | 10 600 | 15 700 | 19 600 |
| Other expenditure | 4, 5 | 42 460 | 16 107 | 14 740 | 10 304 | 8 217 | 8 217 | 8 217 | 13 410 | 12 586 | 11 273 |
| Loss on disposal of PPE | | – | – | – | – | – | – | – | – | – | – |
| Total Expenditure | | 70 259 | 52 806 | 55 306 | 55 516 | 54 839 | 54 839 | 54 839 | 65 555 | 72 935 | 75 141 |
| Surplus/(Deficit) | | (6 611) | (6 244) | (6 070) | 600 | 977 | 977 | 977 | 4 942 | 1 507 | 3 063 |
| Transfers recognised - capital | | 6 540 | 4 554 | 10 491 | 13 902 | 14 427 | 14 427 | 14 427 | 14 345 | 14 748 | 15 352 |
| Contributions recognised - capital | 6 | – | – | – | – | – | – | – | – | – | – |
| Contributed assets | | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) after capital transfers & contributions | | (71) | (1 690) | 4 420 | 14 502 | 15 404 | 15 404 | 15 404 | 19 287 | 16 255 | 18 415 |
| Taxation | | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) after taxation | | (71) | (1 690) | 4 420 | 14 502 | 15 404 | 15 404 | 15 404 | 19 287 | 16 255 | 18 415 |
| Attributable to minorities | | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) attributable to municipality | | (71) | (1 690) | 4 420 | 14 502 | 15 404 | 15 404 | 15 404 | 19 287 | 16 255 | 18 415 |
| Share of surplus/ (deficit) of associate | 7 | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) for the year | | (71) | (1 690) | 4 420 | 14 502 | 15 404 | 15 404 | 15 404 | 19 287 | 16 255 | 18 415 |

The above table shows the consolidated financial performance for Hlabisa local municipality, its Revenue and Expenditure.

2.2 Councillors and employee benefits

Due to the number of positions filled in the 2014/2015 financial year and other ones still need to be filled, employee related costs have been adjusted upwards and the Municipality is above the National Treasury Threshold on employee related costs which is between 25-42 percent. Currently the municipality employee related costs threshold is 42% of the total operating expenditure.

| Summary of Employee and Councillor remuneration | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | A | B | C | D | E | F | G | H | I |
| Councillors (Political Office Bearers plus Other) | 1 | | | | | | | | | |
| Basic Salaries and Wages | | 2 124 | 2 238 | 1 559 | 3 961 | 3 961 | 3 961 | 3 961 | 4 164 | 4 198 |
| Pension and UIF Contributions | | - | - | - | - | - | - | - | - | - |
| Medical Aid Contributions | | - | - | - | - | - | - | - | - | - |
| Motor Vehicle Allowance | | - | - | - | 958 | 958 | 958 | 958 | 1 015 | 1 259 |
| Cellphone Allowance | | - | - | - | 316 | 316 | 316 | 316 | 355 | 398 |
| Housing Allowances | | - | - | - | - | - | - | - | - | - |
| Other benefits and allowances | | 1 518 | 1 518 | 2 239 | 71 | 71 | 71 | 71 | 90 | 102 |
| Sub Total - Councillors | | 3 642 | 3 756 | 3 798 | 5 306 | 5 306 | 5 306 | 5 306 | 5 625 | 5 957 |
| % increase | 4 | | 3.1% | 1.1% | 39.7% | - | - | - | 6.0% | 5.9% |
| Senior Managers of the Municipality | 2 | | | | | | | | | |
| Basic Salaries and Wages | | 1 130 | 1 232 | 1 530 | 2 791 | 2 033 | 2 033 | 2 401 | 2 791 | 3 041 |
| Pension and UIF Contributions | | 103 | 65 | 15 | 54 | 54 | 54 | 104 | 54 | 61 |
| Medical Aid Contributions | | - | - | - | - | - | - | - | - | - |
| Overtime | | - | - | - | - | - | - | - | - | - |
| Performance Bonus | | - | - | - | 337 | - | - | - | - | - |
| Motor Vehicle Allowance | 3 | 205 | 486 | 231 | 675 | 475 | 475 | 582 | 675 | 726 |
| Cellphone Allowance | 3 | - | 42 | 42 | 179 | 74 | 74 | 61 | 179 | 204 |
| Housing Allowances | 3 | - | 132 | 180 | 416 | 216 | 216 | 270 | 416 | 426 |
| Other benefits and allowances | 3 | 1 691 | 283 | 264 | 449 | 449 | 449 | 296 | 449 | 462 |
| Payments in lieu of leave | | - | - | - | - | 50 | 50 | - | - | - |
| Long service awards | | - | - | - | - | - | - | - | - | - |
| Post-retirement benefit obligations | 6 | - | - | - | - | - | - | - | - | - |
| Sub Total - Senior Managers of Municipality | | 3 130 | 2 240 | 2 262 | 4 903 | 3 351 | 3 351 | 3 713 | 4 565 | 4 919 |
| % increase | 4 | | (28.4%) | 1.0% | 116.8% | (31.6%) | - | 10.8% | 23.0% | 7.8% |
| Other Municipal Staff | | | | | | | | | | |
| Basic Salaries and Wages | | 7 484 | 9 759 | 11 239 | 14 222 | 15 125 | 15 125 | 16 129 | 15 739 | 16 416 |
| Pension and UIF Contributions | | 8 918 | 28 | 94 | 1 945 | 1 945 | 1 945 | 1 899 | 1 949 | 2 042 |
| Medical Aid Contributions | | 226 | 336 | 479 | 1 149 | 1 149 | 1 149 | 1 149 | 1 149 | 1 207 |
| Overtime | | 855 | 824 | 497 | 650 | 512 | 512 | 600 | 650 | 927 |
| Performance Bonus | | - | - | - | - | - | - | - | - | - |
| Motor Vehicle Allowance | 3 | 812 | 526 | 666 | 820 | 737 | 737 | 1 609 | 1 516 | 1 128 |
| Cellphone Allowance | 3 | 838 | 841 | 735 | 347 | 453 | 453 | 473 | 347 | 585 |
| Housing Allowances | 3 | 883 | 527 | 288 | 722 | 569 | 569 | 868 | 723 | 769 |
| Other benefits and allowances | 3 | 212 | 1 433 | 1 447 | 585 | 585 | 585 | 738 | 766 | 624 |
| Payments in lieu of leave | | - | - | - | - | 200 | 200 | 769 | 900 | 989 |
| Long service awards | | - | - | - | - | - | - | - | - | - |
| Post-retirement benefit obligations | 6 | - | - | - | - | - | - | - | - | - |
| Sub Total - Other Municipal Staff | | 20 230 | 14 273 | 15 446 | 20 441 | 21 275 | 21 275 | 24 236 | 23 739 | 24 687 |
| % increase | 4 | | (29.4%) | 8.2% | 32.3% | 4.1% | - | 13.9% | (2.0%) | 4.0% |
| Total Parent Municipality | | 27 002 | 20 269 | 21 506 | 30 649 | 29 932 | 29 932 | 33 255 | 33 929 | 35 563 |
| | | | (24.9%) | 6.1% | 42.5% | (2.3%) | - | 11.1% | 2.0% | 4.8% |

2.3 Financial Position

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | | |
| ASSETS | | | | | | | | | | | |
| Current assets | | | | | | | | | | | |
| Cash | | 32 | 40 | 49 | 233 | 1 749 | 1 749 | 1 749 | 276 | 290 | 304 |
| Call investment deposits | 1 | 8 642 | 6 832 | 2 557 | 7 408 | 7 408 | 7 408 | 7 408 | 8 028 | 8 417 | – |
| Consumer debtors | 1 | 598 | 418 | 382 | 389 | 389 | 389 | 389 | 349 | 643 | 367 |
| Other debtors | | 1 223 | 130 | 83 | 1 | 1 | 1 | 1 | 2 | 3 | 3 |
| Current portion of long-term receivables | | – | – | – | 1 911 | 913 | 913 | 913 | 1 385 | 1 198 | 1 239 |
| Inventory | 2 | 44 | 8 | 3 | 134 | 7 | 7 | 7 | 6 | 7 | 6 |
| Total current assets | | 10 539 | 7 429 | 3 074 | 10 076 | 10 468 | 10 468 | 10 468 | 10 046 | 10 558 | 1 920 |
| Non current assets | | | | | | | | | | | |
| Long-term receivables | | – | – | – | – | – | – | – | – | – | – |
| Investments | | – | – | – | – | – | – | – | – | – | – |
| Investment property | | 2 363 | 18 544 | 18 544 | 193 | 18 544 | 18 544 | 18 544 | 19 471 | 20 445 | 21 467 |
| Investment in Associate | | – | – | – | – | – | – | – | – | – | – |
| Property, plant and equipment | 3 | 72 392 | 69 986 | 75 978 | 95 167 | 86 209 | 86 209 | 86 209 | 96 842 | 107 139 | 118 040 |
| Agricultural | | – | – | – | – | – | – | – | – | – | – |
| Biological | | – | – | – | – | – | – | – | – | – | – |
| Intangible | | 668 | 403 | 228 | 723 | 723 | 723 | 723 | 403 | 423 | 444 |
| Other non-current assets | | 14 | 1 696 | 1 696 | 4 487 | 4 082 | 4 082 | 4 082 | 2 017 | 2 300 | 2 170 |
| Total non current assets | | 75 437 | 90 629 | 96 446 | 100 570 | 109 558 | 109 558 | 109 558 | 118 733 | 130 307 | 142 121 |
| TOTAL ASSETS | | 85 976 | 98 058 | 99 520 | 110 646 | 120 026 | 120 026 | 120 026 | 128 779 | 140 864 | 144 041 |
| LIABILITIES | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | |
| Bank overdraft | 1 | 1 700 | 665 | 856 | – | – | – | – | – | – | – |
| Borrowing | 4 | 414 | 385 | 444 | – | – | – | – | – | – | – |
| Consumer deposits | | – | – | – | 30 | 30 | 30 | 30 | 16 | 17 | 18 |
| Trade and other payables | 4 | 11 962 | 16 035 | 13 270 | 9 333 | 9 333 | 9 333 | 9 333 | 9 130 | 9 917 | 2 983 |
| Provisions | | – | – | – | 857 | 857 | 857 | 857 | 555 | 583 | 612 |
| Total current liabilities | | 14 076 | 17 084 | 14 569 | 10 220 | 10 220 | 10 220 | 10 220 | 9 702 | 10 517 | 3 613 |
| Non current liabilities | | | | | | | | | | | |
| Borrowing | | 1 317 | 932 | 488 | 169 | 169 | 169 | 169 | – | – | – |
| Provisions | | – | – | – | – | – | – | – | – | – | – |
| Total non current liabilities | | 1 317 | 932 | 488 | 169 | 169 | 169 | 169 | – | – | – |
| TOTAL LIABILITIES | | 15 392 | 18 016 | 15 058 | 10 389 | 10 389 | 10 389 | 10 389 | 9 702 | 10 517 | 3 613 |
| NET ASSETS | 5 | 70 584 | 80 042 | 84 462 | 100 257 | 109 637 | 109 637 | 109 637 | 119 077 | 130 348 | 140 428 |
| COMMUNITY WEALTH/EQUITY | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | 70 584 | 80 042 | 84 462 | 70 168 | 73 301 | 73 301 | 73 301 | 119 077 | 130 348 | 140 428 |
| Reserves | 4 | – | – | – | 30 089 | 36 336 | 36 336 | 36 336 | – | – | – |
| Minorities' interests | | – | – | – | – | – | – | – | – | – | – |
| TOTAL COMMUNITY WEALTH/EQUITY | 5 | 70 584 | 80 042 | 84 462 | 100 257 | 109 637 | 109 637 | 109 637 | 119 077 | 130 348 | 140 428 |

References

The above table indicates the assets, liabilities and equity of Hlabisa Municipality for the Financial year 2015/16. The item on non-current liabilities Borrowings and Current Liabilities has reflected R0 balance, this is due to machines rentals contract are ending by 2015/2016 financial year. The amount of R8,02 m its unspent housing grant that has been invested since year 2005.

2.4 Cash backed reserved/Accumulated Surplus Reconciliation

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | | |
| Cash and investments available | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 6 974 | 6 207 | 1 749 | 233 | 8 211 | 8 211 | 8 211 | 7 096 | 10 737 | 16 682 |
| Other current investments > 90 days | | - | - | (0) | 7 408 | 946 | 946 | 946 | 1 208 | (2 030) | (16 377) |
| Non current assets - Investments | 1 | - | - | - | - | - | - | - | - | - | - |
| Cash and investments available: | | 6 974 | 6 207 | 1 749 | 7 641 | 9 157 | 9 157 | 9 157 | 8 304 | 8 707 | 304 |
| Application of cash and investments | | | | | | | | | | | |
| Unspent conditional transfers | | 10 250 | 11 649 | 5 122 | 7 408 | 7 408 | 7 408 | 7 408 | 8 028 | 8 417 | 2 000 |
| Unspent borrowing | | - | - | - | - | - | - | - | - | - | - |
| Statutory requirements | 2 | - | - | - | - | - | - | - | - | - | - |
| Other working capital requirements | 3 | 711 | 3 835 | 7 656 | 1 864 | 1 870 | 1 870 | 1 870 | 1 066 | 1 409 | 922 |
| Other provisions | | - | - | - | - | - | - | - | - | - | - |
| Long term investments committed | 4 | - | - | - | - | - | - | - | - | - | - |
| Reserves to be backed by cash/investments | 5 | - | - | - | - | - | - | - | - | - | - |
| Total Application of cash and investments: | | 10 961 | 15 484 | 12 778 | 9 272 | 9 278 | 9 278 | 9 278 | 9 094 | 9 826 | 2 922 |
| Surplus(shortfall) | | (3 987) | (9 277) | (11 028) | (1 631) | (121) | (121) | (121) | (790) | (1 119) | (2 618) |

The amount of R8,02m for 2015/16 budget is budgeted, the reason for that it's because but there is a housing grant which sitting on our investment since year 2005 and we investigated about it from Department of Human Settlement it seems there is no intention to allow the municipality to spend that money from the department of Human Settlement. This funding was for disaster programmes.

2.5 Cash Flow Statement

KZN274 Hlabisa - Table A7 Budgeted Cash Flows

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates, penalties & collection charges | | 2 056 | 1 912 | 1 856 | 597 | 474 | 474 | 474 | 399 | 693 | 904 |
| Service charges | | 54 | 64 | 74 | 24 | 106 | 106 | 106 | 48 | 63 | 38 |
| Other revenue | | 20 197 | - | - | 2 636 | 3 903 | 3 903 | 3 903 | 1 787 | 2 659 | 3 421 |
| Government - operating | 1 | 55 564 | 36 719 | 47 789 | 49 802 | 49 928 | 49 928 | 49 928 | 65 952 | 69 169 | 72 180 |
| Government - capital | 1 | 10 000 | 11 915 | 9 479 | 13 902 | 14 427 | 14 427 | 14 427 | 14 345 | 14 748 | 15 352 |
| Interest | | 852 | 577 | 703 | 360 | 360 | 360 | 360 | 223 | 252 | 307 |
| Dividends | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | (20 511) | (30 537) | (41 540) | (44 466) | (41 264) | (41 264) | (41 264) | (49 615) | (51 415) | (49 973) |
| Finance charges | | (324) | (275) | (181) | (51) | (51) | (51) | (51) | (250) | (430) | (275) |
| Transfers and Grants | 1 | (56 299) | (10 000) | (12 000) | (8 500) | (8 500) | (8 500) | (8 500) | (10 600) | (15 700) | (19 600) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 11 588 | 10 376 | 6 180 | 14 305 | 19 383 | 19 383 | 19 383 | 22 290 | 20 039 | 22 354 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | - | - | - | - | 2 473 | 2 473 | 2 473 | - | - | - |
| Decrease (Increase) in non-current debtors | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) other non-current receivables | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Capital assets | | (14 583) | (10 729) | (10 253) | (13 902) | (15 225) | (15 225) | (15 225) | (14 345) | (14 748) | (15 352) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (14 583) | (10 729) | (10 253) | (13 902) | (12 752) | (12 752) | (12 752) | (14 345) | (14 748) | (15 352) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | | 1 258 | - | - | - | - | - | - | - | - | - |
| Increase (decrease) in consumer deposits | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | - | (414) | (385) | (169) | (169) | (169) | (169) | (1 125) | (1 650) | (1 057) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | 1 258 | (414) | (385) | (169) | (169) | (169) | (169) | (1 125) | (1 650) | (1 057) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | (1 736) | (767) | (4 458) | 233 | 6 462 | 6 462 | 6 462 | 6 820 | 3 641 | 5 945 |
| Cash/cash equivalents at the year begin: | 2 | 8 711 | 6 974 | 6 207 | - | 1 749 | 1 749 | 1 749 | 276 | 7 096 | 10 737 |
| Cash/cash equivalents at the year end: | 2 | 6 974 | 6 207 | 1 749 | 233 | 8 211 | 8 211 | 8 211 | 7 096 | 10 737 | 16 682 |

The above table shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. The approved 2014/15 Adjustment budget provide for cash at year end of R8, 2m where's at year 2015/2016 it reflect ending balance of R7, 096m if which that was decrease compare to 2014/15 adjustment budget the reason behind was due our opening balance which is low .

On our revenue we have estimated the inflows of 60 per cent as our collection rate is always low due to the reason that we are in rural area our debtors delay on their payments, but we only expecting 100 per cent on Grants as we normally received 100% as our municipality is more depending on Grants.

On our Expenditure we expect 100 per cent payments.

3. Recommendations

It is recommended

- That the 2015/2016 Draft budget be approved and adopted by Council in the prescribed framework i.e. A1 Schedule.

